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ARIZONA CORPORATION COMMISSION
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6

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BEFORE THE ARIZONA CORPORATION COMMISSION

8

9 IN THE MATTER OF THE
APPLICATION OF VALLEY UTILITIES
10 WATER COMPANY, AN ARIZONA
CORPORATION, FOR A
11 DETERMINATION OF THE FAIR
VALUE OF ITS UTILITY PLANT AND
12 PROPERTY AND FOR INCREASES IN
ITS RATES AND CHARGES FOR
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-01412A-08-0586

**NOTICE OF FILING WITNESS
SUMMARY**

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Pursuant to the Procedural Order dated January 12, 2009, Valley Utilities Water Company ("Company"), an Arizona corporation, hereby submits this Notice of Filing Witness Summaries in the above-referenced matter. The Company expects to call the following as witnesses on Tuesday, September 15, 2009 and attaches summaries of their pre-filed testimonies herewith:

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1. Robert L. Prince, and

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2. Thomas J. Bourassa.

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DATED this 11th day of September, 2009.

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FENNEMORE CRAIG, P.C.

23

Arizona Corporation Commission
DOCKETED

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By: 

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Patrick J. Black
Attorneys for Valley Utilities Water Company

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DOCKETED BY 

1 **ORIGINAL** and 13 copies of the foregoing filed
2 this 11th day of September, 2009 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, AZ 85007

7 **COPY** of the foregoing hand-delivered
8 this 11th day of September, 2009 to:

9 Chairman Kristin K. Mayes
10 Arizona Corporation Commission
11 1200 W. Washington St.
12 Phoenix, AZ 85007

13 Commissioner Gary Pierce
14 Arizona Corporation Commission
15 1200 W. Washington St.
16 Phoenix, AZ 85007

17 Commissioner Paul Newman
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17 Utilities Division
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20 By: *Maria San Jose*
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VALLEY UTILITIES WATER COMPANY
Docket No. W-01412A-08-0586

WITNESS SUMMARY

Robert L. Prince

Robert L. Prince is the President of Valley Utilities Water Company (“VUWCO” or the “Company”) and is testifying on its behalf on issues relating to the management and operation of the Company’s water system.

General Background

The Company provides service in unincorporated portions of Maricopa County. VUWCO holds a Certificate of Convenience and Necessity (“CCN”) by order of the Commission in Decision No. 54274, dated December 20, 1984. VUWCO has approximately 1,393 water service connections, consisting primarily of single family homes.

The Company’s present rates and charges went into effect on December 1, 2005 following Decision No. 68309 (November 14, 2005). Those rates were based on a test year ending December 31, 2003. Thus, it will be approximately four and a half years between permanent rate adjustments.¹

There are only a small number of issues in dispute in this case. The Company has accepted many of the adjustments proposed by Staff in order to reduce disputes and simplify the rate case.

Rate Base

Mr. Prince will testify to rate base issues, and the Parties’ concurrence on a rate base value of negative (\$169,027). He will discuss the importance of securing an Arsenic Remediation Surcharge Mechanism as proposed by Staff in Docket Nos. W-01412A-04-0736 and W-01412A-04-0849 to the rate base issues in this case. Mr. Prince will testify on the background and current status (operational, permitting) of Well No. 6 and the two arsenic treatment facility sites (Glendale Site and Bethany Home Site).

Revenue and Expenses

Mr. Prince will provide testimony in support of the revenue annualization adjustment’s impact to test-year revenues, and why the Company has experienced a loss of revenue from declining water sales. He will provide a short explanation of declining water sales since the test-year in the Company’s last rate case.

¹ The Commission approved an emergency surcharge on January 23, 2008 in Decision No. 70138.

Mr. Prince will also provide an overview of the Company's staff and their responsibilities, and why the Company is currently working on a reduced staff (due to cash flow issues). While this recent change has been borne of necessity, the Company cannot continue to operate in this manner and provide customers with quality service.

Rate Design

Mr. Prince will provide testimony in support of retaining the flat late charge fee of \$10.00, as well as the Company's proposal to reduce the interest rate on security deposits from 6.00% to 2.00%. Based on current markets, the Company would be unable to earn more than 2.00% on customer security deposits.

Miscellaneous

Mr. Prince will testify against Staff's proposal that the Company file a financing application with the Commission for approval to enter into the water supply contract with the Central Arizona Project (CAP). The annual installment option, though it results in a 5.2% financing charge (according to Staff) over the cost of the agreement if the Company had paid for the entire amount up-front, allows the Company to terminate the contract and at any time during the 5-year installment payment period, and receive back all monies paid to that date. Mr. Prince will also provide testimony concerning the Company's compliance status with Maricopa County Environmental Services.

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VALLEY UTILITIES WATER COMPANY
Docket No. W-01412A-08-0586

WITNESS SUMMARY

Thomas J. Bourassa

Thomas J. Bourassa is a Certified Public Accountant who provides consulting services to public utilities. He has testified on numerous occasions before the Arizona Corporation Commission (“the Commission”) on behalf of Arizona water and wastewater utilities. In this case he is testifying on behalf of Valley Utilities Water Company (the “Company”) on the topics of the Company’s rate base, its income statement (i.e., revenue and operating expenses), its required increase in revenue and its rate design and proposed rates and charges for service.

Overview of the Company’s Request Rate Relief

The Company is requesting a gross revenue increase of \$211,977, which is an increase of approximately 19.15 percent over test year (June 30, 2008) revenues. The following is a summary of the Company’s revenue requirement:

Fair Value Rate Base	(\$169,027)
Operating Income	\$131,871
Operating Margin	10.00 %
Revenue Requirement	\$1,318,714
Gross Revenue Increase	\$211,977
Adjusted Test Year Revenue	\$1,106,737

Under the Company’s proposed rates, a typical residential customer on a 3/4-inch meter using 9,531 gallons of water during a month (average usage) would experience an increase of \$6.49 (17.8 percent), from \$36.46 per month to \$42.95 per month. A typical residential customer on a 5/8-inch meter using 7,376 gallons of water during a month (average usage) would experience an increase of \$4.60 (17.8 percent). A typical residential customer on a 1-inch meter using 20,364 gallons of water during a month (average usage) would experience an increase of \$13.37 (17.8 percent), from \$75.14 per month to \$88.52 per month.

There are only a small number of issues in dispute in this case. The Company has accepted many of the adjustments proposed by Staff in order to reduce disputes and simplify the rate case. The following is a brief summary of the major unresolved issues.

Rate Base Issues

Mr. Bourassa will provide support for the Company and Staff's concurrence on a rate base figure of negative (\$169,027). However, this concurrence is based on the Commission approving the Arsenic Remediation Surcharge Mechanism ("ARSM") recommended by Staff in Docket Nos. W-01412A-04-0736 and W-01412A-04-0849. Mr. Bourassa will testify that in the event the ARSM is not approved, and arsenic treatment facilities are not placed into rate base, then a higher operating margin is needed in order to pay the debt service on the outstanding WIFA loan used to pay for such facilities and to help maintain the Company's financial condition.

Revenue and Income Statement Issues

Mr. Bourassa will testify to his revenue annualization calculations, which results in a further downward adjustment to test-year revenue of \$102,966. This is in addition to the \$24,537 originally contained in his rebuttal testimony. He will testify that if the Company's proposed additional downward revenue adjustment is not adopted, then a higher operating margin is required to help maintain the Company's financial condition. He will also address operating adjustments based on increases to purchased power due to rate increases granted by the Commission to Arizona Public Service Company. Finally, Mr. Bourassa will testify against Staff's proposed normalization of maintenance and repairs expense because it is not consistent with the facts of this case.

Rate Design and Proposed Rates

Mr. Bourassa will present testimony in support of the Company's proposed rate design, including the level of commodity rates and breakover points in a tiered rate system. He addresses the Company's proposal to retain the \$10.00 flat late charge fee, and how a reduction to 1.5% of the outstanding balance is likely to create an annual revenue shortfall of approximately \$24,000. Furthermore, Mr. Bourassa will provide support, citing financial data regarding today's interest rates, to reduce the interest earned on security deposits from 6.00% to 2.00%